

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RE: BOSTON GAS COMPANY  
PERFORMANCE BASED RATE PLAN

DTE 03-40

INITIAL BRIEF OF THE  
MASSACHUSETTS COMMUNITY ACTION PROGRAM DIRECTORS ASSOCIATION

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## I. INTRODUCTION

Boston Gas Company d/b/a KeySpan Energy Delivery New England (“the Company” or “KeySpan”) filed a request for a significant increase in its base rates on April 16, 2003. In its original filing, the Company sought approval to increase its base rates \$61.3 million, “a 9.59% increase in the total bill for the average customer,” including the cost of gas delivered. Direct Testimony of Joseph F. Bodanza, Exh. KEDNE/JFB-1, p. 3 (hereafter “Bodanza Testimony”). The increase is over 20%, comparing the \$61 million increase in base rates to base revenues of approximately \$300 million.<sup>1</sup>

The Company filed this rate hike request shortly after the winter of 2002-2003 ended. This past winter saw the number of degree days increase 30% over the prior winter of 2001-2002, as well as a sharp increase in the cost of gas. Testimony of Elliott Jacobson, Exh. MCP-1, pp. 8 - 9 (hereafter “Jacobson Testimony”). The combination of colder-than-average temperatures and high gas prices placed a heavy burden on all Boston Gas customers. But low-income customers struggled the most to pay their bills.

The Massachusetts Community Action Program Directors Association (“MASSCAP”) intervened in this case because of its concern over the difficulties that low-income households face in trying to pay their energy bills. Most of MASSCAP’s members (those members include 23 individual community action programs) administer the federally-funded Low-Income Home Energy Assistance Program (“LIHEAP”).<sup>2</sup> They make payments on energy bills incurred by

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<sup>1</sup> Exh. KEDNE/PJM-2, p. 1(McLellan) shows per book revenues, excluding the cost of gas, of \$293 million. The Company’s cost of gas is recovered separately from base rates.

<sup>2</sup> LIHEAP is authorized under 42 U.S.C. §§ 8621 *et seq.*

needy families across the state. MASSCAP's members also administer the federal weatherization program,<sup>3</sup> installing insulation and taking other steps to reduce energy losses and, therefore, energy bills. MASSCAP's members see first-hand how hard it is for families with limited income to pay for basic utility service.

In this case, KeySpan has proposed to bring to its Massachusetts territory the On Track program that has been operating successfully in New York for several years. Bodanza Testimony, pp. 13-15. The program uses a number of tools and incentives that help enrolled customers to change their energy consumption and bill payment patterns. If customers carry out their payment obligations under the On Track program, the Company provides a \$400 credit towards the accumulated arrearages. The Company is not seeking any cost recovery in connection with the On Track program, as the program is seen as providing net benefits to participating and non-participating customers. While the program is limited in terms of the number of customers it will serve, MASSCAP fully supports the idea behind the On Track program: that focusing additional resources on selected low-income households can provide real benefits not only to selected customers, but to the Company itself and to all ratepayers.

Below, MASSCAP discusses the energy burdens that low-income households face and describes the On Track program in detail. MASSCAP concludes by asking the Department both to lend its support to KeySpan's efforts and to encourage all regulated companies to investigate whether similar programs would prove beneficial in their own service territories. MASSCAP believes that KeySpan has developed a model that can and should lead other companies to adopt their own arrearage-management programs.

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<sup>3</sup> 42 U.S.C. §§ 6861 *et seq.*

## II. LOW-INCOME ENERGY BURDENS

On behalf of MASSCAP, Elliott Jacobson addressed energy burdens in his written testimony, Exh. MCP-1. Mr. Jacobson is well-qualified to discuss low-income energy issues. Mr. Jacobson is Director of Energy Services for all of the low-income energy programs at Action, Inc. in Gloucester, Massachusetts, including LIHEAP, the weatherization program, “HEARTWAP”<sup>4</sup> and utility-funded energy efficiency programs. Jacobson Testimony, p. 3. He manages a staff of 20 employees and a budget of \$12 million, and oversees programs that impact a total of 10,000 low-income households each year. *Id.* In addition, he is Chair of the Low-Income Energy Affordability Network (“LEAN”);<sup>5</sup> a founding member of the Executive Committee of the State Energy Advisory Board to the federal Department of Energy; former chairman of the Low Income Energy Committee of the White House Climate Change Task Force; and a board member of the National Low Income Energy Consortium. *Id.*, p. 5.

Mr. Jacobson identified the factors that made this past winter particularly difficult for low-income households who use gas and noted trends that suggest next winter will also be very hard on the poor. First, the winter was unusually cold and households were forced to consumer more energy in order to stay warm. Also, the cost of gas adjustment more than doubled over the course of the winter. Jacobson Testimony, p. 8. Wellhead prices were at historically very high levels and are projected to remain so into next winter. *Id.*, p. 9. While Action, Inc. and other MASSCAP member agencies offer a range of programs to help families meet their energy needs,

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<sup>4</sup> “HEARTWAP” stands for “Heating Energy Assistance Retrofit Task Weatherization Assistance Program.” Jacobson Testimony, p. 10.

<sup>5</sup> LEAN is the “low-income weatherization and fuel assistance program network” referred to in G.L. c. 25, § 19.

funding for these programs is not adequate in comparison to the demand. As Mr. Jacobson noted:

Many LIHEAP households have arrearages of several hundred dollars or more, even after getting assistance from Action and similar agencies across the state. . . . Even the combination of LIHEAP, utility discounts and weatherization was not sufficient, when prices were lower and more people were employed in a stronger economy, to make household energy affordable to all low-income households.

*Id.*, p. 13.

Mr. Jacobson noted that LIHEAP agencies are “seeing more clients this year than in the past with large utility arrearages.” *Id.*, p. 6. At his own agency, there were 471 LIHEAP clients who were also KeySpan heating customers. Their average income was \$14,600. Three-quarters of these 471 KeySpan customers had exhausted their maximum fuel assistance benefits. The average amount still owed to KeySpan was \$500. Some clients owed as much as \$1,200. *Id.*

Community Teamwork, Inc. (“CTI”), an agency that administers LIHEAP in the greater Lowell area, reviewed 34 files of LIHEAP clients who use KeySpan gas supply for heating their homes. The average amount in arrears was \$2,000, and 23 of the 34 owed \$1,000 or more. While not the result of a scientifically-conducted survey, the CTI data show the impact that a cold winter and high gas prices can have on low-income households. *Id.*, p. 7.

The Company’s own data complement what Mr. Jacobson’s agency and other LIHEAP agencies see in the field. For example, “total residential billing over 60 days [in] arrears” increased over 80% between 2000 and 2001. Exh. AG 2-1; Tr. 12, p. 1493. The number of residential customers terminated for non-payment reached 10,430 in 2002, the highest level reported by the Company and more than 10% above any prior reported year. Exh. AG 2-1. Both the number of payment plans entered and the dollar amounts protected by payment plans hit

record high levels in 2002.<sup>6</sup>

At the individual level, these dry data translate into real human hardship. Mr. Jacobson's agency assisted an 83 year old client who was suffering from severely declining health. Because she could not tolerate the cold, her heating bills were very large in her small, two-bedroom apartment. She fell far behind on her bills, and the company took a lien on her property to protect its interest in getting paid.<sup>7</sup> Another family fell behind on its bills due to one of the parents becoming gravely ill. Mr. Jacobson's agency was able to stave off the termination only through a special fundraising effort to which churches and local charities responded. *Id.*, p. 5.

Many KeySpan customers who testified at the public hearings also spoke movingly about how difficult it is to pay their gas bills. Naomi Bennett testified on behalf of Mr. and Mrs. Dipena (the Dipenas do not speak English):

They are [both] over 70 years old. They need help because they don't work. [They live on \$480 per month.] This is why Maria Dipena didn't pay the bill for gas, because it is too much. . . . They said that they would love to pay, but they can't. . . they just can't.

May 19 Tr., at 24.

At the same hearing, Nancy Milkey testified:

I am out of work on disability. . . . It's really hard for the senior citizens [to pay their utility bills].

May 19 Tr., at 21. Like many other customers who have fallen into arrears, the Dipenas and Ms.

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<sup>6</sup> The Company entered over 22,000 payment plans in 2002, versus 17,500 plans in 2001. The dollar amount protected through payment plans was almost \$5 million, again exceeding the amount in any other year. Exh. MCP 2-8.

<sup>7</sup> In Massachusetts, there are tight restrictions on companies wishing to terminate service to elderly customers. 220 CMR § 25.05. Some companies therefore take liens on the homes of elderly customers, to protect their interests in ultimately collecting on the bills due.

Milkey are elderly, disabled, or both, and have little prospect of becoming employed. Their energy bills are a crushing burden to meet.

Many customers in fact are very proud and would far prefer to pay their bills, but illness or age preclude them from earning the money they need to survive. Inell Mendes testified:

I worked for a company over 25 years, and then they started sending everything overseas, and then everything went downhill for me at that point. . . . I don't have a job at this present time. . . . I've been in the hospital twice this year. It's very, very hard when you've got pride. . . . It's hard to be poor. . .

May 19 Tr., at 28-30.

Many customers are in the circumstances that face the Dipenas, Ms. Milkey and Ms. Mendes. They are elderly or disabled and unable to pay their bills. They look for assistance from the Company and from the Department because they desperately need utility service.

As Mr. Jacobson described in his testimony, KeySpan already offers a number of programs for its low-income customers, including a substantial low-income rate discount and a very cost-effective low-income energy efficiency program. Jacobson Testimony, pp. 11-12. Unfortunately, these programs are not sufficient to make energy affordable to all low-income households, and many still fall behind. In this case, KeySpan additionally proposes a modest-scale program, called On Track, to help a few hundred customers like those whose testimony is summarized above. MASSCAP describes the On Track program below.

### III. THE ON TRACK PROGRAM

KeySpan currently operates the On Track program in its New York service territory and proposes to bring it to Massachusetts. Bodanza Testimony, p. 13. The program has three basic components: “(1) individualized customer services; (2) a financial and energy management home-study course; and (3) arrears forgiveness.” *Id.*, p. 14. The program premise is that by directing extra resources towards payment-troubled customers, not only those payment-troubled customers but also the Company itself and all other ratepayers stand to benefit. The extra resources include dedicated customer service representatives and social workers, which allow the company to assist the customers “with money-management skills and . . . to access resources such as public benefits, reverse mortgages, kinship foster-care payments, or other resources.” *Id.* By providing money-management assistance and help in obtaining other resources, the Company makes it easier for customers to stay current on their bills. In fact, reports on On Track have shown that customers in the program annually pay \$190 more toward their energy bills than they did prior to entering the program. *Id.* at 15.<sup>8</sup> A “very important component” of the On Track program is KeySpan’s offer to provide a total of \$400 in credits towards the arrears of customers who comply with the program’s requirements. Tr. 12, p. 1504. KeySpan provides two \$100 credits during the first 12 months that a customer stays in the program, and an additional \$200 credit at the end of the program. Exh. MCP 2-17.

On Track is a well-designed and demonstrably successful program. In New York, the program has been running since 1996 and enrolls approximately 1,500 customers every 12 to 18

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<sup>8</sup> The calculation of the \$190 amount is detailed in Exh. MCP 2-18.



months.<sup>9</sup> Exh. MCP 2-10. The Massachusetts program will begin by enrolling 300 to 500 customers. It will employ one social worker based in Waltham and 1.5 customer service representatives based in Brooklyn.<sup>10</sup> Exh. MCP 2-12. The program will be supervised by Mary Thompson Grassi, who supervises the New York area On Track program. Exh. MCP 2-12; Tr. 12, p. 1515. The Massachusetts program will be operated under the same parameters as the New York program, and is scheduled to begin January 2004. Tr. 12, p. 1506.

KeySpan has closely monitored the operation of On Track and provides formal, periodic reports to the New York State Department of Public Service. Exh. MCP 2-9. As Mr. Bodanza testified, the program has proven its success in New York. Tr. 12, p. 1500. Once customers enter On Track, the company needs to take fewer collection interventions, makes fewer collection-related field visits, and effects fewer terminations, compared to the time before the customers entered On Track. Tr. 12, pp. 1500 - 1501; Exh. MCP 2-9. Once they join the program, On Track customers also write fewer checks to the company on insufficient funds. Tr. 12, p. 1502. The program succeeds in these areas because, as noted above, it provides financial and energy management counseling<sup>11</sup> as well as practical help in applying for various forms of

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<sup>9</sup> KeySpan began the New York program by enrolling customers for a 12-month program period, but, based on experience, decided to switch to an 18-month program period in 2000. Exh. MCP 2-10.

<sup>10</sup> The Massachusetts program will be much smaller proportionally than the New York program, and MASSCAP would prefer that it would be larger. However, MASSCAP is still pleased that KeySpan is bringing On Track to Massachusetts and fully supports the Company's proposal.

<sup>11</sup> The Company monitors whether its education efforts result in customers having a better understanding of energy consumption behaviors and personal financial management. Tr. 12, p. 1503.

assistance. Tr. 12, p. 1502.

A large percentage of customers enrolled in On Track report that they are very satisfied with their participation in the program. Tr. 12, p. 1504. In addition, non-participating customers benefit because the participating customers improve their payment patterns and, therefore, reduce the Company's bad debt. *Id.* Mr. Bodanza readily agreed that On Track has been a good business proposition for the Company:

[It is] a good business proposition . . . from the perspective of evaluating it on the basis that the participants show a history of paying their bills better than they had previous to their participation in the program. So there's a good track record . . . and it shows in the fact that on average . . . they're paying \$190 more than they previously had.

Tr. 12, pp. 1516-1517.

MASSCAP strongly supports KeySpan's On Track approach to helping low-income customers:

Quite simply, most of the households we serve cannot afford their bills. They face extraordinarily high rents, as Massachusetts is one of the most expensive housing markets in the country. They also face cold winters and, now, high and unstable heating prices . . . We welcome KeySpan's proposal because it recognizes the fact that some customers cannot pay their entire bills and because the proposed solution is a win-win for all involved.

Jacobson Testimony, p. 15.

#### **IV. MASSCAP RECOMMENDS THAT THE DEPARTMENT ENCOURAGE OTHER REGULATED COMPANIES TO CONSIDER ADOPTING NEW PROGRAMS FOR CUSTOMERS IN ARREARS**

KeySpan has proposed to bring the On Track program to Massachusetts completely voluntarily. It is under no statutory or regulatory mandate to do so, and MASSCAP commends KeySpan for developing a program that benefits participating and non-participating customers

alike.

KeySpan is not seeking the Department's formal approval of the program.<sup>12</sup> However, MASSCAP urges the Department in its decision in this case to commend KeySpan for offering the program in Massachusetts and to urge other companies to consider similar programs that would address the needs of customers with large arrears. The Department should take this opportunity to inform the Company that it supports this effort to help customers who have fallen into arrears, through a program that actually increases customer payments.

MASSCAP also believes that it could prove extremely beneficial for the Department to encourage other companies to consider developing similar programs that address the needs of customers who fall significantly into arrears. Were the Department to include any such exhortatory language in the final decision, it would impose no burdens on any other company. No company would be required to file any specific proposal and no company would face any sanction for failing to develop its own program. On the other hand, a clear statement that the Department appreciates efforts of companies to consider the development of such programs would potentially unleash creative ideas from other companies that would provide much-needed help to needy customers without burdening ratepayers at large.<sup>13</sup>

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<sup>12</sup> MASSCAP is not suggesting that the Company should be seeking formal Department approval. According to the Company, On Track provides net benefits to ratepayers, in terms of improved payments from participating customers, Tr. 12, pp. 1503, 1516-1517, and the Company is therefore not seeking any cost-recovery.

<sup>13</sup> There is no question but that the Department can encourage other companies to consider programs for payment-troubled customers, both because of the Department's broad supervisory power over gas and electric companies, G.L. c. 164, § 76, and because doing so would impose no mandate or burden on companies or their ratepayers. The question is whether the Department should do so. As noted above, MASSCAP urges the Department to do so because there are potential benefits for both participating and non-participating customers.

## **V. CONCLUSION**

MASSCAP strongly supports KeySpan's plan to bring the On Track program to its Massachusetts service territory as of January 2004. It respectfully requests that the Department support KeySpan's plan to do so and also encourage all regulated gas and electric companies to consider similar programs that would address the needs of payment-troubled customers.

Respectfully submitted,

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